

2004 0166

Vision Statement

Palo Alto will aggressively pursue a variety of housing opportunities that enhance the character, diversity and vitality of the City. The City is committed to increasing the development of affordable and market-rate housing, including converting non-residential lands to residential or mixed use. Existing housing, particularly rental units will be conserved and rehabilitated or replaced. Palo Alto will continue its strong commitment to supporting agencies that assist households with special needs. The City will foster an environment free of discrimination and the barriers that prevent choice in housing. It will place special emphasis on family housing and housing that addresses the health care, child care, transit, recreation and social service needs of all Palo Alto residents.

Introduction

State law mandates that the Housing Element contain specific data, address certain topics, and establish a workable strategy for meeting the City's share of the region's housing needs. The State Department of Housing and Community Development (HCD) must periodically review the Housing Element for adequacy and completeness. Because much of the information required for State review of the Housing Element is statistical and must be updated every five years, Palo Alto has prepared a separate Technical Document that supplements the Comprehensive Plan. This document includes the data required for HCD review to determine compliance with State law, is incorporated by reference as part of the Comprehensive Plan, and is included in the appendix.

This chapter begins with a synopsis of the more detailed information found in the Technical Document. It proceeds with the City's housing goals, policies, and programs and briefly describes the City's five-year implementation program including targets for the housing production and conservation. Additional text on the City's programs may be found in the Technical Document.

Existing Conditions

POPULATION

Palo Alto's population has increased only slightly during the last 30 years. The number of residents increased by 4.7% from 55,966 in 1970 to 58,598 in 2000 with most of this growth occurring between 1990-2000. While the average number of people per household declined from 2.7 in 1970 to 2.3 in 2000, the number of housing units increased.

Although 72.8 percent of Palo Alto's population is white, the City is becoming more ethnically diverse. Asians and Pacific Islanders increased their share of the City's population growing from 10 percent to 17.3 percent, while 4.6 percent are Hispanic, 2 percent are black and 3.3 percent identify themselves as other.

UNIVERSITY OF CALIFORNIA

MAY 1 2004

INSTITUTE OF GOVERNMENTAL
STUDIES LIBRARY

City of Palo Alto 2000 Population by Race/Ethnicity

White	72.8%
Black	2.0%
Hispanic	4.6%
Asian/Pacific Islander	17.3%
Other*	3.3%

Source: 2000 U.S. Census.

*The other category is remnant of population not positively identified under any other racial or ethnic category.

City of Palo Alto 2000 Population by Age

Pre-School (Under 5)	5.1%
School Age (5-17)	16.1%
Child Bearing (18-44)	37.3%
Middle Age (45-64)	25.9%
Senior (65 and over)	15.6%

Source: 2000 U.S. Census

The median age of Palo Alto's population has increased dramatically over the last few decades. In 1970, the median age was 29.5 for men and 33.7 for women. By 1990, these figures had increased to 36.7 and 40.0 respectively. In the year 2000, the median age for the entire population of Palo Alto was 40.2 years, which is considerably higher than the County median age of 34 years. The increase in median age has been accompanied by an increase in Palo Alto's senior population; the number of persons over 65 increased from 10 to 15.6 percent of the population between 1970 and 2000. The number of older adults is expected to continue to increase in the future. At the other end of the age spectrum, the number of children under five has increased significantly over the last two decades and has resulted in an increase in the number of children entering childcare and school. However, the number of women of childbearing age has decreased markedly after increasing during the 1980s and 1990s and the middle-aged population has increased significantly indicating that Palo Alto will continue to grow older during the next decade.

HOUSING UNITS

The 2000 Census indicated that there were 26,048 housing units in Palo Alto. This was an increase of 860 units from 1990. About one-third of the City's homes were built during the 1950s, the period of greatest housing construction in Palo Alto's history. Since 1960, the rate of production has generally declined. From 1970 to 1980, homes were added at a rate

Palo Alto Comprehensive Plan Chapter 4: Housing Element

of about 240 units per year. By the 1990's, the annual rate had decreased to about 86 units per year as a result of economic factors and the limited availability of residential land.

Population, Household Size and Housing Units 1970-2000

	Population	Percent Change	Household Size	Percent Change	Housing Units	Percent Change
1970	55,966	-	2.7	-	21,338	-
1980	55,225	-1.3%	2.3	-14.8%	23,747	+11.3%
1990	55,900	+1.2%	2.2	-4.3%	25,188	+6.1%
2000	58,598	+4.8%	2.3	+4.5%	26,048	+3.4%

Income, Rent and House Values 1970-2000

	Single Family Home Value	Percent Change	Rent/Month	Percent Change	Median Income	Percent Change
1970	\$33,900	-	\$162	-	\$12,200	-
1980	\$148,900	+ 339%	\$348	+ 115%	\$24,700	+ 102%
1990	\$457,800	+ 207%	\$851	+ 145%	\$55,333	+ 124%
2000	\$1,006,600	+ 120%	\$1349	+ 59%	\$90,377	+ 63%

INCOME

Palo Alto is an affluent community with incomes considerably higher than the regional average. In 1996, median family of four income was \$77,500, compared to \$67,400 in Santa Clara County. In 2000, the median household income for Santa Clara County was \$74,335 while the City of Palo Alto's median household income was \$90,377. Palo Alto households maintained their 1996 proportional advantage in higher family incomes (about 21.59%).

The City also has a significant number of lower income households. In 1990, about 20 percent of Palo Alto's households reported an income of under \$25,000, which was almost the same proportion as in the County as a whole. In the year 2000, Census data indicates that approximately 14% of Palo Alto households had a household income of less than \$25,000; the City of Palo Alto maintained its proportion of lower income households in relation to Santa Clara County's lower income households. It should be noted, however, that a \$25,000 annual income would not be an accurate reflection in the year 2000 of the number of lower or "limited" income households in Palo Alto. For example, HUD considers a family of four earning \$43,500 or less and a single person earning \$30,450 or

less to be very low income. A \$25,000 income would be inadequate to meet the housing and other needs of most households in Palo Alto.

There is also a disparity between income levels based on the type of household. For instance, the average income for married couples in 2000 was over two times the figure for female-headed single parent households. Such disparity can be attributed to a substantial proportion of married couple households having two wage earners while single parent households, by definition, only have one.

HOUSING COST

Housing in Palo Alto is expensive. The median sales price for a single family detached home in 2000 was \$1,006,600. Using traditional underwriting criteria, an annual income of approximately \$275,000 would be required to purchase such a home. Even the median priced condominium, at \$546,000, would require an annual income of \$163,000. Home ownership is only affordable to households with above moderate incomes. The cost of rental housing has also risen sharply. In fact, housing costs doubled between 1996 and 2000 for all types of housing in Palo Alto. At the same time, vacancy rates have remained low, traditionally less than 3 percent for both owner- and renter-occupied units. Housing costs have risen at a much greater rate than family or household incomes.

HOUSING OPPORTUNITIES

Palo Alto has an extremely limited supply of vacant residential land. Most of the City's development potential consists of infill on small vacant lots, redevelopment of existing properties, and conversion of underutilized non-residential lands to higher density residential or mixed use projects. The City will continue to seek opportunities to rezone commercial lands to residential uses and strongly discourage the conversion of residential lands to non-residential use. In appropriate locations, mixed use will be encouraged to provide housing opportunities. Although the City's 1978 Zoning Ordinance recognizes mixed use as a viable housing type, the lack of clear mixed use zoning regulations has been an obstacle to housing production in such projects. This Comprehensive Plan encourages innovative ideas for creating new housing, including mixed use zoning, the use of smaller lots, live/work projects, and other emerging housing prototypes. In particular, the City has engaged in, and will continue to conduct, a Housing Opportunities Study that identifies non-residential sites appropriate for conversion to residential or mixed use and is committed to rezoning sufficient sites by 2004 to meet the City's fair share of the region's 1999-2006 housing need.

Palo Alto has been very active in promoting and supporting affordable housing. Since the late 1960s, the City has aggressively used local, state, and federal housing assistance programs for very low-, low-, and moderate- income households. These programs resulted in the construction of 745 subsidized affordable units in the 1970s, 196 in the 1980s, and about 380 in the 1990s. Curtailment of many state and federal programs during the 1980s

Palo Alto Comprehensive Plan Chapter 4: Housing Element

and 1990s has meant fewer affordable housing opportunities and greater reliance on local funding to supplement state and federal programs.

Local programs include the City's Inclusionary Housing or Below Market Rate (BMR) program. The program was initiated in 1974 as a means of increasing the supply of housing affordable to individuals and families with low to moderate incomes. It continues to be an extremely important part of the City's strategy to meet its housing needs. The City also maintains a "Housing Development Fund" that can be used for acquisition, construction, and rehabilitation of housing. The funds are primarily available to nonprofit groups who agree to maintain the long-term affordability of the housing units.

HOUSING NEEDS

State Housing Element law requires that localities provide for their "fair share" of the region's housing need. The Association of Bay Area Governments (ABAG) determined that Palo Alto's projected need for the period from January 1, 1999 – June 30, 2006 was 1,397 units. This number has been reduced to 616 by the number of housing units completed and occupied or approved (building permits issued) through the end of 2000. All of these remaining units must be affordable to very low-, low- and moderate-income households as described below.

HOUSING NEEDS BY INCOME LEVEL

In addition to projecting overall housing needs, ABAG also projects housing needs by income category. The intent of this action is to equitably distribute households by income category so that no one City or County is "impacted" with a particular income group. Four income categories are defined by the federal government and are used by ABAG, as defined in the following box.

Standard definitions of Household Income (2000)

Very Low-Income: Households with incomes between 0 and 50 percent of County median family income. 2000 limit for a family of 4: \$43,500.

Low-Income: Households with incomes between 51 and 80 percent of County median family income. 2000 limit for a family of 4: \$69,600.

Moderate-Income: Households with incomes between 81 and 120 percent of County median family income. 2000 limit for a family of 4: \$104,400.

Above Moderate-Income: Households with incomes greater than 120 percent of County median family income: over \$104,400.

Some agencies and programs use different definitions of household income. In Palo Alto, the following modifications applied in 2000: For the HUD Section 8 rental programs and the CDBG Program, the 2000 limit for a family of four was \$53,853. For the Low-Income Housing Tax Credit and HUD HOME Programs, the Low-Income maximum is 60 percent of the County median. The 1997 2000 limit for a family of four was \$52,200. For the City

of Palo Alto BMR Program, Moderate-Income for home ownership is 80 to 100 percent of the County median. The 2000 limit for a family of four was \$87,000.

The table below shows how the City of Palo Alto's 1999-2006 Housing Element allocated the ABAG new construction need by income category. One hundred and forty-three (143) of the 843 units built or approved have been constructed and are already occupied or are ready for occupancy. The remaining 700 units have received building permits and are in the process of being built. Most of these units should be ready for occupancy by the end of 2001.

ABAG Fair Share Housing Needs Table, 1999-2006

Income Level	1999-2006 Need	1999-2002 Built or Approved Units	Unmet Need
Very Low	265	24	241
Low	116	66	50
Moderate	343	24	319
<i>Subtotal of Affordable Units</i>	<i>724</i>	<i>114</i>	<i>610</i>
Above Moderate	673	860	None
TOTAL	1,397	974	610

In reviewing the totals shown in the table above, it appears that Palo Alto has already constructed, or approved for construction, about 56% of its fair share of the region's housing need. It should be noted that the totals on the ABAG Fair Share Housing Needs Table include 187 more above moderate income units than required by ABAG's assessment of Palo Alto's fair share of the region's housing need for 1999-2006. Only 114 of 724 affordable units needed, or about 16% of Palo Alto's total need for affordable housing, have currently been built or approved for construction. Palo Alto's current unmet housing need for 1999-2006 consists of 610 housing units that need to be affordable to very low-, low- or moderate-income households.

Goals, Policies, and Programs

HOUSING OPPORTUNITIES

Goal H-1: A Supply of Affordable and Market Rate Housing That Meets Palo Alto's Share of Regional Housing Needs.

The Mid-Peninsula area of the San Francisco Bay region has limited housing opportunities relative to the number of jobs. The Comprehensive Plan's policies and programs promote a variety of housing opportunities for all income ranges. Housing diversity will enhance Palo Alto's social and economic strength. A commitment to the increased production of housing for all income levels will help the City continue to be a distinctive, diverse and desirable place to live. Residents will benefit from an increased awareness about housing needs, diversity and opportunities. The policies and programs for attaining this goal shall be implemented at specific locations identified in the Housing Sites Inventory and identified in a revised zoning map and amended Comprehensive Plan Land Use map resulting from the Zoning Ordinance Update.

POLICY H-1:

Meet community and neighborhood needs as the supply of housing is increased. Ensure the preservation of the unique character of the City's existing neighborhoods.

Increasing the housing supply meets an important citywide need. However, to be truly beneficial for all Palo Altans, new housing must be designed and located in a way that enhances the character of existing neighborhoods. Increases in the housing supply should be accomplished without diminishing the quality of City services or surpassing the capacity of infrastructure and transportation facilities.

POLICY H-2:

Identify and implement a variety of strategies to increase housing density and diversity in appropriate locations. Emphasize and encourage the development of affordable and attainable housing.

PROGRAM H-1:

Increase housing density immediately surrounding commercial areas and particularly near transit stations by either increasing allowed densities or encouraging development at the higher end of the existing density range for sites within 2,000 feet of an existing or planned transit station or along two major transit corridors, El Camino Real and San Antonio Road, wherever appropriate.

Palo Alto has a variety of commercial and mixed commercial/residential areas (such as California Avenue), two multi-modal transit centers, and a network of bus routes serving

its commercial areas. Allowing increased density in these areas achieves a number of important objectives. It allows the housing supply to be increased while minimizing visual and physical impacts on nearby lower density areas. It also encourages the use of transit, reduces auto dependency, and supports the City's air quality goals.

PROGRAM H-2:

Encourage development densities at the higher end of allowed density ranges in multiple family zones by using methods such as preferential or priority processing and application fee reductions for projects that propose development at the higher end of a site's allowed density range and that provide affordable housing in excess of mandatory BMR program requirements. Consider increasing minimum density requirements in multiple family zones as well as in all Comprehensive Plan land use designations that permit housing.

Most recent housing developments in Palo Alto have not been constructed to the maximum densities allowed by zoning. Market conditions, bank financing, and insurance requirements have favored the construction of single family detached houses. To increase housing supply and obtain densities closer to those envisioned by zoning policies, the City should establish increased minimum density standards in appropriate multiple family zoning districts as part of the Zoning Ordinance Update currently underway. This is particularly important given the limited number of vacant sites remaining in Palo Alto and their potential contribution towards meeting the City's housing needs.

PROGRAM H-3:

Encourage the conversion of non-residential lands to residential use to both increase the supply of housing, particularly affordable housing, and decrease the potential for the creation of new jobs that exacerbate the need for new housing. Land use and development applications that propose the conversion of non-residential land to residential or mixed use development will be given preferential or priority processing to encourage such conversion.

Palo Alto has a significant surplus of jobs compared to its housing supply, which has contributed to the City's inability to provide an adequate supply of affordable housing. This program attempts to redress the jobs/housing imbalance by reducing potential job growth while increasing the supply of housing, including affordable housing through the conversion of non-residential job generating uses to residential uses. This type of conversion should assist the City in reducing traffic congestion and poor air quality by bringing housing closer to employment centers. This would allow for the internalization of commute trips and encourage the use of alternative modes of transportation due to the increased proximity of housing and jobs.

PROGRAM H-4:

Allow increased residential densities and mixed use development only where adequate urban services and amenities can be provided and, in cases where the change in zoning is likely to lead to traffic congestion that will reduce levels of service below those acceptable to the City, adopt mitigation measures that will avoid this impact.

Palo Altans have expressed the concern that additional residential growth including mixed residential/non-residential forms of development may strain the City's ability to provide adequate urban services and amenities, such as parks, and may reduce the quality of life of the City's residents and neighborhoods. There is also a concern about increased traffic congestion. This program seeks to balance the City's need to provide housing with its abilities to provide the services and environmental conditions needed to adequately support that housing and provide attractive places to live and work. The City has adopted fees to address the impact of new development on parks, libraries and community centers; it anticipates adopting citywide transportation impact fees to mitigate traffic impacts.

PROGRAM H-5:

Consider the following modifications during the Zoning Ordinance Update currently underway and incorporate those modifications in the revised Zoning Ordinance that are conducive to increasing the production of affordable housing by the year 2004.

Density Limits and Residential Uses

- *Specify the range of housing densities appropriate for each commercial and industrial Comprehensive Plan land use designation and zoning district that permits housing. For proposed projects located within 2,000 feet of an existing or planned rail transit station not adjacent to a single family neighborhood with a substantial proportion of a proposed project's units affordable to very low-, low-, or moderate-income households, development may be allowed at a higher density than that normally allowed under these land use designations and zoning districts. Development at the high end of the density range should only be permitted where it is demonstrated that the project will make significant use of existing transit facilities or other alternative modes of transportation, thereby avoiding significantly degrading existing traffic levels of service on nearby intersections.*
- *Consider allowing higher densities on sites that are not precisely within 2,000 feet of a rail transit station but that may be suitable for transit oriented development due to exceptional access to other transit opportunities or alternative modes of transportation. Development of these sites should be compatible with surrounding densities and intensities of development and should be designed to preserve neighborhood character. Development of these sites at the high end of the density range should only be permitted where it is demonstrated that the project will make significant use of existing transit*

facilities or other alternative modes of transportation and will not significantly degrade existing traffic levels of service on nearby intersections.

- Allow the construction of affordable housing on surplus sites designated Major Institution/Special Facilities under the Comprehensive Plan or zoned for Public Facilities, excepting those areas that are used for open space or playgrounds. Development of these sites should be compatible with surrounding densities and intensities of development and should be designed to preserve neighborhood character. Consideration should also be given to encouraging the conversion of portions of buildings or sites (e.g., religious institutions) to allow ancillary residential uses, such as caretaker quarters, by modifying pertinent sections of the Zoning Ordinance and Building Code.*
- Allow a high or very high residential density under the Mixed Use land use designation for those sites within 2,000 feet of an existing or planned rail transit station unless adjacent to single family neighborhoods. In areas adjacent to single family neighborhoods, require lower densities as a buffer. Development at the high end of the density range should only be permitted where it is demonstrated that the project will make significant use of existing transit facilities or other alternative modes of transportation and will not significantly degrade existing traffic levels of service on nearby intersections.*
- Restrict the size of main units under the DHS Zoning District and ensure that second units are adequate to accommodate a second household.*
- Address the loss of housing due to the combination of single family residential lots. Consider modifying the R-1 Zoning District to create a maximum lot size to prevent the loss of housing or housing opportunities.*
- Permit higher densities under the R-1 Zoning District to accommodate smaller lots for courtyard homes or other similar types of housing.*
- Increase the minimum density of the RM-15 Zoning District to at least eight dwelling units per acre consistent with the multi-family land use designation under the Comprehensive Plan.*

New Development Standards and Zoning Districts

- For projects that are 100% affordable, allow for increased flexibility in the application of development standards, such as parking and height, to better implement the housing programs contained in this chapter and to encourage the production of affordable housing.*
- Floor area ratio limits should be made flexible for the purpose of creating affordable housing. Maximum unit sizes should also be considered to encourage the production of more affordable housing. The use of a “form” code to achieve these objectives should be considered during the Zoning Ordinance Update.*

- *Create new zoning districts to implement the Transit-Oriented Residential and Village Residential land use designations and establish development standards that allow the maximum amount of housing, particularly for affordable housing projects, permitted under the allowed density range while preserving the character of adjacent neighborhoods.*
- *Create development standards for permitted mixed residential/non-residential uses that would permit a number of dwelling units, including a minimum number of affordable housing units, to be built with each project. Mixed uses with an office component should be discouraged. The definition of mixed use development and the standards to be utilized in such developments will be addressed during the Zoning Ordinance Update.*

Over the past few years, Palo Alto has not been able to take full advantage of the housing opportunities provided by the variety of lands that allow residential use, particularly in terms of achieving the levels of development allowed by the City's permitted density ranges. Development standards contained in the City's Zoning Ordinance have not allowed the full residential development potential of mixed use projects permitted in industrial and commercial zoning districts to be achieved. Certain Comprehensive Plan land use designations, such as Transit-Oriented Residential, have not been implemented because the City has no corresponding zoning district which can be used to take advantage of sites near transit stations. The creation of new zoning districts is essential to Palo Alto's strategy of reusing non-residential developed lands for residential use to increase the City's housing supply and more efficiently use the limited land available for housing. Palo Alto also lost irreplaceable housing opportunities due to single family lot combinations resulting in larger lots but fewer dwelling units. Since housing supplies are so limited, the loss of development potential on any residential site must be discouraged. The purpose of the programs listed above is to ensure that Palo Alto efficiently uses its limited land supply and makes the most of its opportunities to provide both market rate and affordable housing. Palo Alto is updating its Zoning Ordinance, which provides a timely mechanism for implementing the programs described above. During the review process for the Zoning Ordinance, the City should carefully examine allowing densities of up to 50 dwelling units per acre, on mixed use sites, sites near transit stations, and sites along two major transportation corridors, El Camino Real and San Antonio Road, to both provide more affordable housing and to support transit use. Fifty dwelling units per acre is currently the highest density allowed by the Comprehensive Plan and is limited to sites designated Transit-Oriented Residential and located within 2,000 feet of a transit station. There may be other sites, however, that are suitable for this density, or higher densities than the current zoning allows, and near transit facilities that are not precisely within the 2,000-foot radius of a transit station but that have good access to rail or major bus transit facilities and not adjacent to single family neighborhoods. The City should evaluate its options to accommodate such opportunities, such as creating development standards that would allow such densities to be achieved while still maintaining the desirable character of Palo Alto.

PROGRAM H-6:

As part of the Zoning Ordinance Update process, create zoning incentives that encourage the development of diverse housing types, such as smaller, more affordable units and two- and three-bedroom units suitable for families with children. Consider using a “form” code to achieve these objectives.

A variety of housing types are desired in Palo Alto to address the broad spectrum of needs. By providing incentives to develop housing units of less than 1,200 square feet, the affordability and number of potential units can be increased. Incentives to develop such housing should be pursued. Incentives might include reduced parking or open space requirements, density bonuses, reduced lot coverage standards, flexible height limits, increased floor area ratios, or City financial participation. Certain locations near schools, parks, and quiet streets provide the best sites for households with children.

PROGRAM H-7:

As part of the Zoning Ordinance Update process, modify the provisions, such as parking requirements, minimum lot size, and coverage and floor area ratio limits, that govern the development of second dwelling units, in single family areas to encourage the production of such units. Consider using a “form” code to achieve these objectives.

Second units can provide additional rental housing that is both desirable and unobtrusive. The current cottage regulations should be evaluated to determine how additional units might be provided through increased flexibility in the regulations such as reduced parking requirements, limiting the maximum size of the unit, allowing for attached units, and reducing the minimum lot size requirement. Appropriate development controls and review procedures should ensure compatibility with adjacent properties.

PROGRAM H-8:

As part of the Zoning Ordinance Update process, modify the Zoning Code to allow second dwelling units that are incorporated entirely within the existing main dwelling, or that require only a small addition (200 square feet or less) and limited exterior modifications, to be approved through a ministerial permit (i.e., no design review or public hearing) on sites that meet the minimum development standards, including the parking requirement.

PROGRAM H-9:

Explore creating an amnesty program to legitimize existing illegal second units where appropriate and consistent with maintaining the character and quality of life of existing neighborhoods. The grant of amnesty should be contingent on compliance with minimum building, housing and other applicable code standards and on maintaining the affordability of the second unit to very low-, low- or moderate-income households.

PROGRAM H-10:

As part of the Zoning Ordinance Update process, create a Planned Development zone that allows the construction of smaller lot single family units and other innovative housing types without the requirement for a public benefit finding provided that the project significantly increases the number of affordable housing units on the site over what would otherwise be allowed by existing zoning.

A designation similar to the existing “Planned Community” zone would allow flexibility in design while providing a highly inclusive public review process. Because there is such a strong need for housing in the City, the requirement for a public benefit finding can be eliminated if the project significantly increases the affordable housing supply over what would otherwise be allowed by existing zoning. While new zoning regulations are anticipated to implement the “Village Residential” land use designation, it is not possible to predict all of the prototypes the market will invent. Therefore, a flexible zoning designation is desirable.

PROGRAM H-11:

As part of the Zoning Ordinance Update process, amend zoning regulations to permit residential lots of less than 6,000 square feet where smaller lots would be compatible with the surrounding neighborhood.

Many Palo Alto neighborhoods have lots that are smaller than the 6,000 square foot minimum currently required by zoning. Allowing additional smaller lots would result in more units, create greater housing opportunities, and remain compatible and consistent with existing development patterns.

PROGRAM H-12:

As part of the Zoning Ordinance Update process, amend the Zoning Code to reduce parking requirements for higher density development in appropriate areas thus reducing development costs and producing housing that is more affordable. The potential consequences of reducing parking will be evaluated for particular types of projects during the Zoning Ordinance Update, but parking reductions should primarily be considered for Transit-Oriented development or developments that can demonstrate that its need for parking is less than the required parking standard called for by the Zoning Ordinance.

POLICY H-3:

Continue to support the re-designation of suitable vacant or underutilized lands for housing or mixed uses containing housing.

PROGRAM H-13:

Implement the Housing Opportunities Study that identifies vacant and underutilized sites and sites with existing non-residential uses that are suitable for future housing or mixed use development focusing particularly on sites near an existing or planned transit station, along major transportation corridors with bus service, and in areas with adequate

urban services and supporting retail and service uses.

- *Suitable housing sites currently planned and zoned for non-residential use should be designated for residential or mixed use in sufficient quantities to accommodate the City's fair share of the region's housing needs.*
- *Convert sites near transit and other major transportation facilities to higher density residential and mixed use to reinforce the City's policies supporting transit use, create a pedestrian friendly environment, and reduce reliance on the automobile as well as increase the supply of housing, consistent with the City's policies of encouraging compact, infill development and optimizing the use of existing urban services.*
- *Work with Stanford University to identify sites suitable for housing that may be located in the Stanford Research Park.*

PROGRAM H-14:

Rezone, where necessary, those sites identified on the Housing Sites Inventory, using appropriate residential or mixed use zoning districts, prior to 2004.

The Housing Sites Inventory identifies a list of potential housing sites and contains those sites that are the most suitable and likely to be developed for residential purposes in the time frame of this Housing Element. Many of these sites are already zoned for residential development at a suitable intensity. The rezoning of the balance of the sites listed on the Inventory must be accomplished by 2004 to provide sufficient opportunity for the development community and the City to process and build new housing developments prior to the June 30, 2006 planning horizon of this Housing Element.

PROGRAM H-15:

Conduct a special study of the El Camino Real transportation corridor to examine in detail the potential for developing higher density housing, especially affordable housing, on specific residential or non-residential sites consistent with the City's traffic level of service policies, the City's ability to provide urban services and amenities and the preservation of the character and quality of life of adjacent neighborhoods.

The El Camino Real transportation corridor provides a significant opportunity to plan for new residential or appropriate mixed uses that can support affordable housing and take advantage of the frequent bus service provided along this corridor. A substantial portion of the City's future housing supply may be provided on the underutilized commercial sites located along this corridor, but such development requires careful evaluation by the City in terms of potential environmental constraints, such as traffic and potential visual and other impacts on adjacent neighborhoods, and the City's limited ability to provide additional urban services. Residential developments that are designed to encourage the use of bus transit, or that use bus transit to access rail transit, would be particularly beneficial and desirable for affordable housing projects.

POLICY H-4:

Encourage mixed use projects as a means of increasing the housing supply while promoting diversity and neighborhood vitality.

Commercial areas and parking lots offer some of the best opportunities for new housing. Residences can be built over stores, parking lots and even some industrial buildings. Parking lots may be able to serve a dual purpose, serving businesses by day and residences by night. Mixed use projects should not be limited to “vertical” integration in a single building, but should also include locations where residential and commercial uses exist side by side. Mixed use projects that create new office space should be discouraged since office development tends to increase the City’s existing traffic congestion and air quality problems.

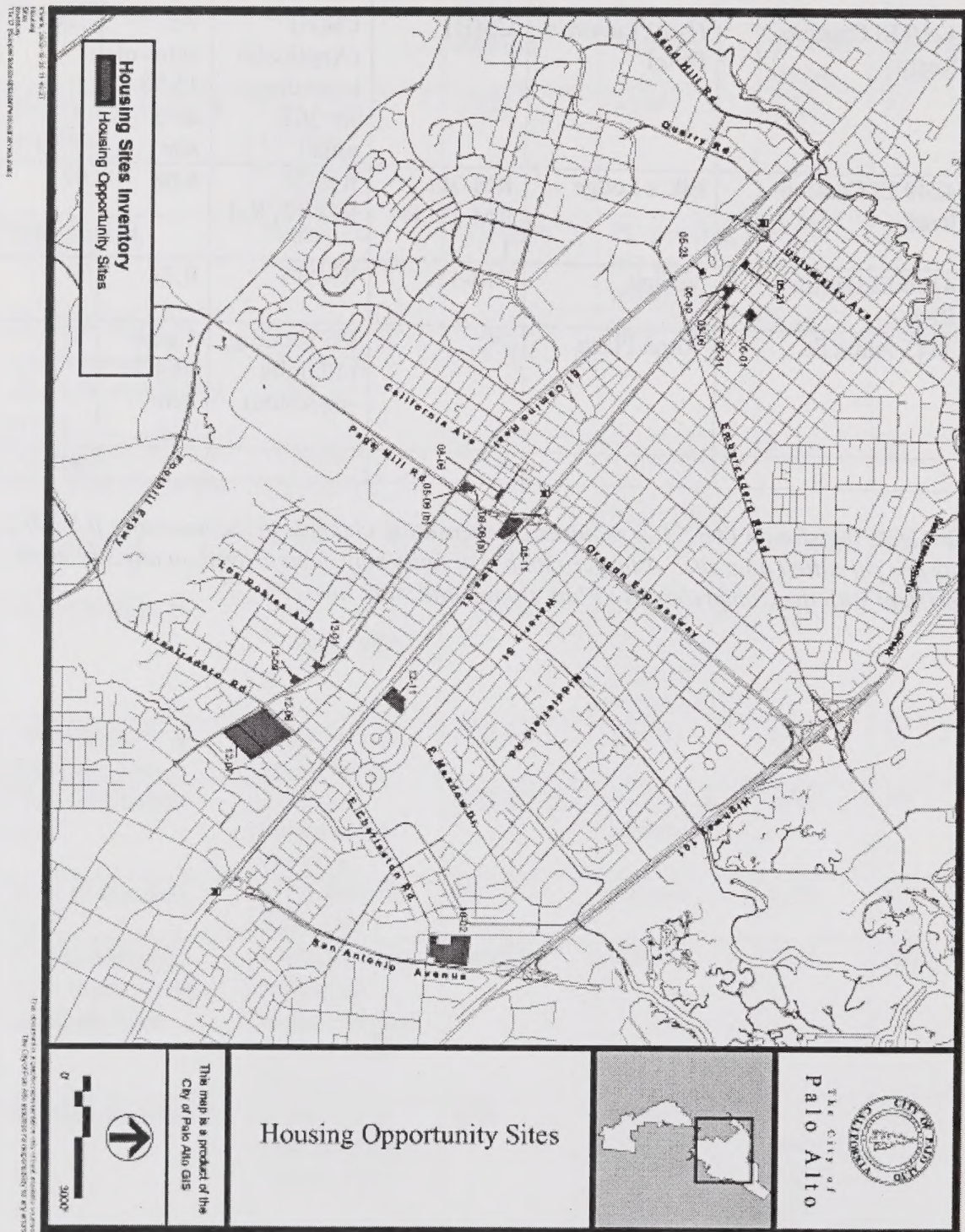
Housing Sites Inventory

Site No.	Site Address	Description	Existing Zoning	Proposed Zoning	Site Size in Acres	Minimum Dwelling Unit Yield *
5-01	Bryant, Channing & Ramona	Oak Court (SOFA affordable housing)	AMF	AMF	1.23	53
5-06	800 High St.	Peninsula Creamery site	CD-S(P)	PC pending (61 units requested)	0.96	26
5-21	657-663 Alma St. (north corner of Alma St. and Forest Ave.)	Former Craft and Floral building	CD-C(P) CD-S(P)	Mixed Use	0.48	10
5-28	33, 39 & 45 Encina Ave. near El Camino Real	Proposed Opportunity Center	CS	PC pending (90 units requested)	0.43	90
5-30	841 Alma St.	Power substation	PF	TBD	0.36	10
5-31	901-925 High St.	Auto storage/parking	CD-S(P)	Mixed Use (Application pending for 12 units)	0.46	10
8-06	2650 Birch St. at Sheridan Ave.	2 vacant lots and 4 houses	RM-40	RM-40	0.57	15
8-09(a)	2701 El Camino Real	Former Greenworld Nursery	RM-40, CN	RM-40 or Mixed Use	0.98	30
8-09(b)	2755 El Camino Real	MTA Park & Ride Lot	PF	RM-40	0.48	15
8-11	E. side Sheridan Ave. btwn. SPRR and Park Blvd.	Underutilized industrial bldgs.; portion of Page Mill Rd. r.o.w.	GM(B)	RM-40	3.92	120
10-02	901 San Antonio Rd.	Former Sun Microsystems/Future JCC	GM	Mixed Use	6.5 acres of 12.92 acre site	200
12-01	4102 El Camino Real at Vista	Former Blockbusters	RM-30	RM-30	0.65	9

Palo Alto Comprehensive Plan Chapter 4: Housing Element

12-06	4219 El Camino Real	Hyatt Rickey's Hotel	CS(H)	CS(H) (Application pending for 302 units)	7.5 acres of 15.98 acre site	120
12-07	4249 El Camino Real	Elk's Lodge	RM-30, RM-15, R-1	RM-30, RM-15, R-1	8.08	97
12-09	4146 El Camino Real	Vacant	RM-15	RM-15	0.77	5
12-11	3445 Alma St.	Alma Plaza	PC	PC pending (10 units requested)	1 acre of 4.21 acre site	8
Total						818

**New state legislation (AB2292) requires compensating changes in the inventory if fewer units are permitted on a site. A larger number of units may be approved on any site when consistent with the Comprehensive Plan, zoning and state law.*



PROGRAM H-16:

As part of the Zoning Ordinance Update process, evaluate and improve existing incentives that encourage mixed use (with a residential component) and residential development on commercially zoned land and establish development standards that will encourage development of the maximum amount of housing permitted under the allowed density range, particularly for projects that provide affordable housing.

The City's current zoning regulations have been ineffective in encouraging significant numbers of mixed use projects, particularly those that are designed to provide affordable housing. Typically, projects require many variances from current development standards to be feasible from the market's standpoint. The regulations should be evaluated and revised to improve clarity, remove overly restrictive requirements and provide new incentives for mixed use.

PROGRAM H-17:

Use coordinated area plans and other tools to develop regulations that support the development of housing above and among commercial uses.

Coordinated area plans are intended to provide more specific guidance for development in areas where change is desired.

PROGRAM H-18:

Encourage the development of housing on or over parking lots by adopting incentives that will lead to housing production while maintaining the required parking.

One possible incentive to enable more housing is allowing the use of air rights to develop housing over parking. There may other incentives as well, which the City will explore.

PROGRAM H-19: (REVISED)

Eliminate the requirement for Site and Design review by the Planning Commission and City Council for mixed use projects shortly after development standards have been established for mixed use projects during the Zoning Ordinance Update expected to be completed in 2004.

Presently, mixed use projects require site and design review by the Architectural Review Board (ARB), Planning Commission, and City Council. Eliminating this requirement would expedite project approval and remove an impediment to housing production. Projects would still be subject to ARB review, providing opportunity for public comment and design review. Eliminating Planning Commission and City Council review of mixed use projects should not be considered until new development standards have been effectively implemented for mixed use projects.

POLICY H-5:

Discourage the conversion of lands designated as residential to non-residential uses and the use of multiple family residential lands by non-residential uses, such as schools and churches, unless there is no net loss of housing potential on a community-wide basis.

Residentially zoned land is a valuable commodity that should be preserved whenever possible. Since the 1960s, Palo Alto has changed the zoning of many parcels from non-

residential to residential. The reverse situation—rezoning or approving use permits on residential land for non-residential purposes—should only be approved when new housing opportunities that meet or exceed the number of potential units eliminated can be ensured.

PROGRAM H-20:

As part of the Zoning Ordinance Update process, change the Zoning Code to disallow uses other than residential uses in a multiple-family residential zone unless the project can demonstrate an overriding benefit to the public or the project results in no net planned or existing housing loss. Planning Commission and City Council approval would be required in such instances.

Conversion of multiple family residential lands to non-residential uses can significantly reduce the City's housing supply. The City must ensure that such lands are not converted to non-residential use unless there is an overarching public benefit from the project or the housing lost by development of a non-residential use on a multiple family site is replaced.

POLICY H-6:

Support the reduction of governmental and regulatory constraints to the production of affordable housing.

Zoning requirements, development review and approval procedures, fees, and building codes and standards will be reviewed regularly to eliminate barriers to affordable housing construction.

PROGRAM H-21:

Where appropriate and feasible, allow waivers of development fees as a means of promoting the development of housing affordable to very low-, low-, and moderate-income households. Waivers should be considered for projects that proposed affordable housing units in excess of minimum City BMR Program standards either in terms of the number of the affordable units or the household income levels that the project is targeted to serve.

PROGRAM H-22:

Exempt permanently affordable housing units from any infrastructure impact fees that may be adopted by the City.

Housing units that are subject to long-term (forty years or greater) restrictions to maintain affordability and occupancy by very low-, low-, and moderate-income households should be exempt from future impact fees. Units provided under the Below Market Rate (BMR) Program should be included in the impact fee exemption.

PROGRAM H-23:

Require all City departments to expedite all processes, including applications, related to the construction of affordable housing above minimum BMR requirements.

POLICY H-7:

Monitor, on a regular basis, the City's progress in increasing the supply of housing and monitor the preservation of BMR rental units for very low- and low- income residents.

PROGRAM H-24:

Establish an annual monitoring program to review the progress made in the construction of housing for all income levels, the rezoning of suitable housing sites, and the implementation of policies to encourage the production of affordable housing.

HOUSING CONSERVATION

Goal H-2: Conservation and Maintenance of Palo Alto's Existing Housing Stock and Residential Neighborhoods.

Palo Alto has many fine neighborhoods with a variety of housing styles and types. Conserving and maintaining this housing will help preserve the character of the City's neighborhoods. Older housing may also be more affordable than newer housing. Preservation of this older housing stock will help maintain Palo Alto's limited supply of affordable housing.

POLICY H-8:

Promote the rehabilitation of deteriorating or substandard residential properties.

The general condition of the housing stock in Palo Alto is very good, partially due to the high price of homes. However, there are isolated structures and small sections of the community that may begin to turn downward unless the normal processes of deterioration are reversed. These areas need rehabilitation now, before major problems arise.

PROGRAM H-25:

Continue the citywide property maintenance, inspection, and enforcement program.

PROGRAM H-26:

Enact development regulations that encourage retention and rehabilitation of historic residential buildings, older multifamily rental buildings and smaller single family residences.

The City promotes code inspection as a service to residents and a deterrent to neighborhood deterioration.

POLICY H-9:

Maintain the number of multi-family housing units, including BMR rental and ownership units, in Palo Alto at no less than the number of multi-family rental and BMR units available as of December 2001 and continue to support efforts to increase the supply of these units.

Palo Alto has a limited supply of affordable housing relative to market demands. Very few private market rental projects have been built since the 1960s. Not surprisingly, the City's residential vacancy rate has consistently been below three percent over the last 20 years. Sharp increases in rents in the last half of the 1990s indicate that the City should continue to take the steps necessary to retain the supply of rental units and encourage the construction of new units. The City's BMR program provides both rental and ownership units to low and moderate income individuals and families. The preservation of the City's BMR housing stock is a priority for the City and retention of this housing stock needs to be ensured.

PROGRAM H-27:

Continue implementation of the Condominium Conversion Ordinance.

This Ordinance, enacted in 1974, restricts the conversion of apartments to condominiums and thereby helps the City maintain its rental stock. Palo Alto has not had a condominium conversion since 1980.

PROGRAM H-28:

Implement a Below Market Rate (BMR) Program Emergency Fund to prevent the loss of BMR units and to provide emergency loans for BMR unit owners for substantial mandatory assessments.

Eighty-four percent of Palo Alto's Below Market Rate (BMR) housing stock was built before 1990. With the aging of this important affordable housing asset, substantial, costly repairs to individual housing developments are likely. The City has established a Below Market Rate (BMR) Program Emergency Fund to assist BMR homeowners with low incomes and limited assets that are facing hardships at housing developments with special assessments for repairs to common areas. In addition, this Program is designed to ensure preservation of the BMR housing stock by preventing loss through foreclosure or problems with the resale process.

PROGRAM H-29:

Where a proposed subdivision or condominium would cause a loss of rental housing, grant approval only if at least two of the following three circumstances exist:

- *The project will produce at least a 100 percent increase in the number of units currently on the site and will comply with the City's Below Market Rate (BMR) program (described in Program H-34 or 35); and/or*
- *The number of rental units to be provided on the site is at least equal to the number of existing rental units; and/or*
- *No less than 25 percent of the units will comply with the City's BMR program.*

Many existing developments in Palo Alto contain units that are smaller and more affordable than those that would be built today. This program limits the removal of such units unless there is a significant net gain of housing or a replacement of rental units or affordable units. The program applies to the most recent number of rental units on the site whether or not they have been demolished. All units after the first unit are considered rentals.

POLICY H-10:

Preserve the existing legal, non-conforming rental cottages and duplexes currently located in the R-1 and R-2 residential areas of Palo Alto, which represent a significant portion of the City's affordable housing supply.

PROGRAM H-30:

Require developers of new residential projects in the R-1 and R-2 Zoning Districts to preserve and incorporate, where feasible, existing rental

cottages or duplexes within the project. Explore the feasibility of requiring the developer to replace any units being demolished as a result of new construction.

In recent years, Palo Alto has lost some affordable housing due to the demolition of small cottages, houses and duplexes that are located on lots zoned for single family homes or duplexes. With the increasing cost of housing in Palo Alto and other threats to the City's affordable housing supply, Palo Alto must make every effort to preserve these types of units, which provide relatively affordable rental housing for small households.

POLICY H-11:

Encourage community involvement in the maintenance and enhancement of public and private properties and adjacent rights-of-way in residential neighborhoods.

PROGRAM H-31:

Create community volunteer days and park cleanups, plantings, or similar events that promote neighborhood enhancement.

PROGRAM H-32:

Conduct City-sponsored cleanup campaigns for public and private properties.

HOUSING DIVERSITY

Goal H-3: Housing Opportunities for a Diverse Population, Including Very low-, Low- and Moderate-Income Residents, and Persons with Special Needs.

The City will use public and private resources to provide housing that meets the City's "fair share" of the region's housing needs. These needs can not be met by the private market alone. Local, state, and federal resources will help the City achieve this goal.

POLICY H-12:

Encourage, foster and preserve diverse housing opportunities for very low-, low-, and moderate-income households.

PROGRAM H-33:

Take all actions necessary to preserve the 92-unit Terman Apartments as part of Palo Alto's affordable housing stock and to continue the renewal of the existing HUD Section 8 rental assistance contract that provides rental subsidies for up to 72 units in the project.

The Terman Apartments is the last major rental project located in Palo Alto that is at risk of conversion to market rate housing. State law requires that the project be offered for sale to providers of low-income housing if the owners elect to terminate their HUD Section 8 contract.

PROGRAM H-34:

Provide preferential or priority processing for those residential or mixed use projects that propose more affordable housing than the minimum required under the City's BMR Program and for 100% affordable housing projects.

POLICY H-13:

Provide for increased use and support of tenant/landlord educational and mediation opportunities.

PROGRAM H-35:

Implement the "Action Plan" of the City of Palo Alto's Consolidated Plan or its successor documents.

The Consolidated Plan is a required document for the receipt of federal funds through the U.S. Department of Housing and Urban Development (HUD). It outlines actions to be taken to provide housing opportunities for very low- and low-income households. The overall Plan is updated every five years. The Plan and the Annual Action Plan are adopted by the City Council.

PROGRAM H-36:

Implement the City's "Below Market Rate" (BMR) Program by requiring that at least 15 percent of all housing units in projects of five units or more, be provided at below market rates to very low-, low-, and moderate-income households. Projects on sites of five acres or larger must set aside 20 percent of all units as BMR units.

The City of Palo Alto's BMR program is intended to increase the supply of for-sale housing and rental housing for individuals and families whose incomes are insufficient to afford market rate housing. Since the program was initiated in 1974, 152 for-sale units and 101 rental units have been created. Continued affordability of the units is a major goal of the program. Deed restrictions control the resale price and limit rent increases. Occupancy for BMR units is determined according to City Council guidelines. The Palo Alto Housing Corporation, under contract to the City, has administered the program since its inception. Since the current rates of production of affordable housing in Palo Alto are very low, the BMR program requirement is essential to meet the City's need for affordable housing.

The Palo Alto Below Market Rate ("BMR") Program

Developers of projects with five or more units must comply with Palo Alto's BMR requirements. The BMR program objective is to obtain actual housing units or buildable parcels within each development rather than off-site units or in-lieu payments. At least 15 percent of the housing units developed in a project involving fewer than five acres of land must be provided as BMR units. Projects involving the development of five or more acres must provide at least 20 percent of all units developed as BMR units. (Projects that cause the loss of existing rental housing may need to provide a 25 percent BMR component, see Program H-29.) The BMR units must be comparable to other units in the development. For an application to be determined complete, the developer must agree to one or a combination of the following requirements or equivalent alternatives that are acceptable to the City.

For-Sale Units:

For projects with a 15 percent BMR component, the initial sales price for at least two-thirds of the BMR units must be affordable to a household making between 80 to 100 percent of the Santa Clara County median income, taking into consideration all housing expenses such as mortgage payment, taxes, insurance, and association dues. The initial sales prices of the remaining BMR units may be set at higher levels affordable to households earning between 100 to 120 percent of the County's median income. For projects with a 20 percent BMR component, three-fourths of the BMR units must be affordable to households in the 80 to 100 percent of median income range, and one-fourth may be in the higher price range of between 100 to 120 percent of the County's median income. For projects with a 25 percent BMR component, four-fifths of the BMR units must be affordable to households in the 80 to 100 percent of median range, and one-fifth may be in the higher price range of between 100 and 120 percent of the County's median income. In all cases, the sales price should be sufficient to cover the estimated cost to the

Palo Alto Comprehensive Plan Chapter 4: Housing Element

developer of constructing the BMR unit, including financing, but excluding land, marketing, off-site improvements, and profit.

If the City determines that on-site BMR units are not feasible, off-site units acceptable to the City, or vacant land determined to be suitable for affordable housing construction, may be provided instead. Off-site units should normally be new units, but the City may accept rehabilitated existing units when significant improvement in the City's housing stock is demonstrated.

In-Lieu Payments: If the City determines that no other alternative is feasible, a cash payment to the City's Housing Development Fund, in lieu of providing BMR units or land, may be accepted. The in-lieu payment for projects subject to the basic 15 percent BMR requirement shall be 7.5 percent of the greater of the actual sales price or fair market value of each unit. For projects subject to the 20 percent requirement, the rate is 10 percent; for projects with a 25 percent requirement, (as described in Program H-29 regarding the loss of rental housing), the rate is 12.5 percent.

Rental Units:

Developers of rental housing must provide the required percentage of MBR units at affordable rents for occupancy by very low (below 50% of the HUD median income) and low-income households (below 80% of median income). Occupancy, rents, rent increases and other provisions of the BMR rental program are governed by standards approved by the City Council and by project-specific recorded regulatory agreements. Initial rents for new BMR units are established annually by the City. After occupancy, initial rents may be adjusted annually by one-half of the Consumer Price Index Rent Residential or other comparable formula adopted by the City.

In-Lieu Payments: If the City determines that provision of BMR rental units on site is infeasible, it may accept a payment in lieu of such units to the City's Housing Development Fund. The annual payment shall be the difference between the initial affordable rent and the market rate rent of each required BMR unit. If a one-time in-lieu payment is accepted in full satisfaction of the project's BMR requirement, the payment shall be the appraised value of the housing project at market rate rents multiplied by the applicable fee rate. The fee rate is 7.5 percent for a project with a 15 percent BMR requirement, 10 percent for a project with a 20 percent BMR requirement and 12.5 percent for projects with a 25 percent BMR requirement.

Projects with a Condominium Map That Will Be Operated as Rental Housing:

No residential condominium map shall be approved without provision for the future sale of BMR ownership units or an equivalent alternative acceptable to the City, even though the project will be initially operated as rental housing.

Open Space (OS) District Projects:

The Open Space district sets a minimum lot size of ten acres. Projects of any acreage with fewer than 10 units or lots must provide a 15 percent BMR component. Projects with more than 10 units or lots must provide a 20 percent BMR component.

Subdivision of Land to be Sold Without Development:

Land that is subdivided into three or more lots and sold without construction of housing must transfer buildable parcel(s) equivalent to 15 percent (or other applicable BMR requirement percentage) of the development to the City or the City's designee. The buildable parcel(s) is to be used for the purpose of developing affordable housing units. The City may sell the buildable parcel(s) with the proceeds placed in the City's Housing Development Fund for future housing development. When the City determines that the transfer of land, or the construction of BMR units within the subdivision, is infeasible, a comparable in-lieu fee payment may be accepted by the City.

Fractional Units:

When the BMR requirement results in a fractional unit (for example: 16 units x 15% = 2.40 BMR units), an in-lieu payment to the City's Housing Development Fund may be made for the fractional unit (the 0.4 unit) instead of providing an actual BMR unit. The in-lieu fee percentage rate shall be the same as that otherwise required for the project (7.5 percent, 10 percent, or 12.5 percent). The fee on for-sale projects will be paid upon the sale of each market unit in the project. For rental projects, the fee shall be paid prior to approval by the City of occupancy of the project.

Larger Projects of 30 or More Units: Projects with 30 or more units must provide a whole BMR unit for any fractional unit of one-half (0.50) or larger; an in-lieu fee may be paid, or equivalent alternatives provided, when the fractional unit is less than one-half.

Adjustments, Waivers, Appeals of the BMR Requirement:

Within fifteen days of entering into a BMR agreement with the City for a project, the developer may request a determination that the BMR requirement, taken together with any inclusionary housing incentives, as applied to the project, would legally constitute the taking of property without just compensation under the Constitution of the United States or of the State of California. The burden of proof shall be upon the developer, who shall provide such information as is reasonably requested by the City, and the initial determination shall be made by the Director of Planning and Community Environment. The procedures for the determination shall generally be those described in Chapter 18.90 of the Palo Alto Municipal Code, including the right of appeal to the City Council under Chapter 18.93, or such other procedures as may be adopted in a future BMR ordinance. Notice of the hearing shall be given by publication but need not be sent to nearby property owners. If the City determines that the application of the BMR requirement as applied to the project would constitute a taking of property without just compensation, then the BMR agreement for the project shall be modified, reduced or waived to the extent necessary to prevent such a taking.

For Density Bonuses under Government Code Section 65915 (see Program H-38)

PROGRAM H-37:

Adopt an ordinance codifying and implementing the City's "Below Market Rate" (BMR) Program.

The City has for many years successfully implemented its BMR program through adopted guidelines and case-by-case review and approval. Adoption of an ordinance codifying the Below Market Rate program will provide important information to housing developers and guidance to staff.

PROGRAM H-38:

Adopt a revised density bonus program ordinance that allows the construction of up to three additional market rate units for each BMR unit above that normally required, up to a maximum zoning increase of 50 percent in density. Allow an equivalent increase in square footage (Floor Area Ratio) for projects under this program. The revised density bonus program will meet State standards for the provision of housing units for very low- and lower-income renters, seniors and moderate-income condominium buyers in compliance with Government Code Section 65915, et seq.

Given Palo Alto's limited supply of land suitable for housing, the City must encourage housing opportunities particularly if one-fourth of all additional units would be affordable to low- or moderate-income households.

PROGRAM H-39:

Encourage the use of flexible development standards and creative architectural solutions in the design of projects with a substantial BMR component. The intent of this program is to allow individual projects to develop individual solutions to create an attractive living environment both for the project and adjacent development and to address specific project needs, such as the provision of open space.

PROGRAM H-40:

Consider allowing the development of duplexes in the R-1 Zoning District as the required BMR units for a new single family residential subdivision subject to appropriate development standards. Development standards will be prepared, evaluated, and implemented during the Zoning Ordinance Update.

PROGRAM H-41:

Recognize the Buena Vista Mobile Home Park as providing low- and moderate-income housing opportunities. Any redevelopment of the site must be consistent with the City's Mobile Home Park Conversion Ordinance adopted to preserve the existing units. To the extent feasible, the City will seek appropriate local, state and federal funding to assist in the preservation and maintenance of the existing units in the Buena Vista Mobile Home Park.

POLICY H-14:

Support agencies and organizations that provides shelter, housing, and related services to very low-, low-, and moderate-income households.

The City will work with nonprofit housing organizations and the local development community to ensure that all affordable housing, including family housing and units for seniors on fixed incomes, remains affordable over time. Palo Alto is committed to providing continued support to local groups that serve the housing needs of lower income households.

PROGRAM H-42:

Promote legislative changes and funding for programs that facilitate and subsidize the acquisition, rehabilitation, and operation of existing rental housing by housing assistance organizations, nonprofit developers, and for-profit developers.

PROGRAM H- 43:

Use existing agency programs such as Senior Home Repair to provide rehabilitation assistance to very low- and low-income households.

PROGRAM H-44:

Support the development and preservation of group homes and supported living facilities for persons with special housing needs by:

- Assisting local agencies and nonprofit organizations in the construction or rehabilitation of new facilities for this population.*
- Reviewing existing development regulations and identifying and reducing regulatory obstacles to this type of housing during the timeframe of this Housing Element.*

POLICY H-15:

Pursue funding for the construction or rehabilitation of housing that is affordable to very low-, low-, and moderate-income households.

Support financing techniques such as land banking, federal and state tax credits, mortgage revenue bonds, and mortgage credit certificates to subsidize the cost of housing.

In the past, the development of affordable housing has relied primarily on federal and state funding sources. While the City should continue to pursue such funds, local funding options should be broadened.

PROGRAM H-45:

Maintain a high priority for the acquisition of new housing sites, acquisition and rehabilitation of existing housing, and housing-related services in the allocation of Community Development Block Grant (CDBG) funds or similar programs.

PROGRAM H-46:

Support and expand the City's Housing Development Fund or successor program.

Palo Alto has established its Housing Development Fund largely from housing mitigation fees from commercial and industrial developers, and residential developers who provide funds in-lieu of BMR units. Other housing-related revenues also have been placed in the fund. With funding becoming more limited, the City should seek to expand opportunities for additional funds.

PROGRAM H-47:

Consider requiring 30% of all revenues generated by the Redevelopment Agency to be used for the provision of affordable housing.

PROGRAM H-48:

Continue to seek funding from all appropriate state and federal programs whenever they are available to support the development or rehabilitation of housing for very low-, low-, or moderate-income households.

PROGRAM H-49:

Continue to support the County of Santa Clara's Mortgage Credit Certificate (MCC) Program to create and support homeownership opportunities for lower- and moderate-income households in Palo Alto.

PROGRAM H-50:

Continue to require developers of employment-generating commercial and industrial developments to contribute to the supply of low- and moderate-income housing.

PROGRAM H-51:

Periodically review the housing nexus formula as required under Chapter 16.47 of the Municipal Code to better reflect the impact of new jobs on housing demand and cost.

Commercial and industrial development continues to generate new jobs, thereby increasing the demand for housing. A significant number of these jobs are or will be filled by low- to moderate-income wage earners, increasing the demand for more affordable units. Developers who contribute to the current jobs/housing imbalance and the accompanying housing shortage should assist the City in solving this problem. This has been partially accomplished by Chapter 16.47 of the Palo Alto Municipal Code, which requires developers of commercial and industrial projects to either provide housing units or pay an in-lieu fee to the Housing Development Fund. Over the last few years the increase in the in-lieu fees have not kept pace with the actual increase in the cost of providing housing in Palo Alto. This undercuts the purpose of the in-lieu fee. Periodically reviewing and updating the housing nexus study and fee formula will ensure that commercial and industrial developments will continue to contribute a consistent amount towards their low- and moderate-income housing demand.

POLICY H-16:

Encourage the preservation, rehabilitation, and construction of Single Room Occupancy (SRO) hotels and SRO housing.

PROGRAM H-52:

Permit Single Room Occupancy (SRO) units in industrial, commercial, and high density residential zoning districts using development standards that would encourage the construction of the maximum number of units consistent with the goals of preserving the character of adjacent neighborhoods.

SROs are hotels or residential structures that provide short-term and transitional housing. They may or may not have kitchens or bathrooms within each individual unit. Palo Alto has three SROs (Barker, Craig, and Palo Alto Hotels) and they are a valuable, necessary part of the housing stock. A fourth SRO with 107 rooms and sponsored by the Palo Alto Housing Corporation opened for occupancy in March of 1998. The City should work with SRO owners to ensure the continued viability of these projects and should support opportunities for new SROs in appropriate locations.

PROGRAM H-53:

Examine the Zoning Code during the current Zoning Ordinance Update (2002-2004) to ensure that the Code facilitates shared housing or other innovative housing types and provides flexible development standards for these types of housing that will allow such housing to be built while preserving the character of the neighborhoods in which they are proposed to be located.

POLICY H-17:

Support opportunities for Shared Housing and other innovative housing forms to promote diversity and meet the needs of different household types and income levels.

Shared housing for seniors and single parent households has been supported through a portion of the City's Community Development Block Grant (CDBG) Funds. Other housing types might include co-housing and limited equity partnerships.

POLICY H-18:

Support housing that incorporates facilities and services to meet the health care, transit, or social service needs of households with special needs, including seniors and persons with disabilities.

PROGRAM H-54:

As part of the Zoning Ordinance Update process, develop zoning modifications, which would allow higher densities and create other incentives for projects proposing 100% affordable senior rental housing.

The elderly population of Palo Alto has and will continue to increase substantially. Households containing elderly persons also tend to have limited fixed incomes and to pay proportionally more (overpay) for housing than other segments of the City's population. Creating an incentive to provide more higher density rental housing for seniors will help to increase the supply of housing and to limit future housing cost increases.

PROGRAM H-55:

Examine the Zoning Code during the current Zoning Ordinance Update (2002-2004) to ensure that the Code facilitates the construction of housing that provides services for special needs households and provides flexible development standards for special service housing that will allow such housing to be built while preserving the character of the neighborhoods in which they are proposed to be located.

POLICY H-19:

Support family housing that addresses resident needs for childcare, youth services, recreation opportunities and access to transit.

PROGRAM H-56:

Provide preferential or priority processing for those residential or mixed-use projects that incorporate child care facilities, provide recreational opportunities above normal open space requirements, or that provide enhanced access to public transit.

Meeting the housing needs of seniors may require selecting sites near shopping areas, social activities, medical services, and transit lines. Housing needs for people who are physically disabled must be addressed in the design of all projects. Other groups with special needs include homeless persons, persons with AIDS, people with emotional or mental disabilities, and victims of domestic abuse. Family housing may require locations near schools and parks and provisions for childcare. Amenities for youth, such as transportation and recreation, should be accommodated.

POLICY H-20:

Support legislation, regulatory changes, federal funding, and local efforts for the permanent preservation of HUD-assisted very low- and low-income units at risk of conversion to market rate housing or loss of federal rental assistance.

Palo Alto has 728 units in 13 projects of very low- and low-income housing of which only one project representing 92 units (the Terman Apartments) is at significant risk of being converted to market rate housing. The remaining projects are held by non-profit corporations which are considerably less likely to convert their units to market rate housing. However, given that the future of the HUD Section 8 Program and its ongoing funding continue to be uncertain, the units held by the non-profits may be subject to rent increases if Section 8 subsidies are lost or reduced in the future. Preservation of these units as affordable housing is a key priority and will require coordination and cooperation, as well as imaginative solutions.

POLICY H-21:

Support the provision of emergency shelter, transitional housing and ancillary services to address homelessness.

Emergency shelters located in places of worship or National Guard Armory sites provide immediate, emergency short-term housing. There is also a need for transitional housing with supportive services to bridge the gap between emergency beds and community

reintegration. The types of services that are most helpful are the basic necessities of food, clothing, mail, job training, counseling, case management, payee services, physical and mental health services, vocational training, job placement and permanent, affordable housing.

PROGRAM H-57:

As part of the Zoning Ordinance Update process, modify the Zoning Code to allow homeless shelters in the CS, CD and industrial zoning districts with a Conditional Use Permit.

PROGRAM H-58:

Create emergency homeless shelter and transitional housing location and development criteria during the timeframe of this Housing Element to aid the developers of this type of housing in understanding the standards the City will use to review these types of housing projects and to expedite the processing of Conditional Use Permits and other permits required for these types of housing. Location and development criteria for emergency homeless shelters should be based on the size and operating characteristics of the facility. Transitional housing location and development criteria should use standards comparable to traditional housing of similar size and density since transitional housing has impacts similar to traditional housing although non-traditional assistance services are provided.

POLICY H-22:

Provide leadership in addressing homelessness as a regional issue.

POLICY H-23:

Work closely with appropriate agencies in the region to develop and implement policies and programs relating to homelessness.

PROGRAM H-59:

Continue to participate in the Santa Clara County Homeless Collaborative as well as work with adjacent jurisdictions to develop additional shelter opportunities.

The Homeless Collaborative provides a regional approach to homelessness prevention based on the federal continuum care model.

PROGRAM H-60:

Continue to participate with and support agencies addressing homelessness.

FAIR HOUSING

Goal H-4: An End to Housing Discrimination on the Basis of Race, Religion, National Origin, Age, Sex, Sexual Orientation, Marital Status, Physical Handicap, or Other Barriers that Prevent Choice in Housing.

Palo Alto has a long-standing record of supporting and working towards the elimination of all barriers to housing. Discrimination in any form is not acceptable. The City is committed towards improving access to housing for all of its citizens.

POLICY H-24:

Support programs and agencies that seek to eliminate housing discrimination.

PROGRAM H-61:

Work with appropriate state and federal agencies to ensure that fair housing laws are enforced.

PROGRAM H-62:

Continue to support groups that provide fair housing services, such as Mid-Peninsula Citizens for Fair Housing.

PROGRAM H-63:

Continue the efforts of the Human Relations Commission to combat discrimination in rental housing, including mediation of problems between landlords and tenants.

PROGRAM H-64:

Continue implementation of the City's Ordinances prohibiting discrimination in renting or leasing housing based on age, parenthood, pregnancy or the potential or actual presence of a minor child.

PROGRAM H-65:

As part of the current (2002-2004) Zoning Code Update process, examine all Zoning Code and other pertinent development regulations affected by the passage of Senate Bill SB520, which is designed to eliminate housing discrimination based on familial status or disability, and modify those provisions that would hamper the implementation of SB520. Develop written procedures describing how Palo Alto will process and treat reasonable accommodation requests for projects proposing housing for special needs households.

PROGRAM H-66:

Continue the City's role in coordinating the actions of various support groups that are seeking to eliminate housing discrimination and in providing funding and other support for these groups to disseminate fair housing information in Palo Alto, including information on referrals to pertinent investigative or enforcement agencies in the case of fair housing complaints.

Palo Alto currently funds and utilizes the services of Mid-Peninsula Citizens for Fair Housing (MCFH) to disseminate a variety of fair housing information to existing and potential residents. MCFH essentially acts as a "clearinghouse" for this information and makes the most of the limited resources available.

PROGRAM H-67:

Continue to interpret and apply the City's land use regulations in a manner that does not deny to person with disability the access to housing and public accommodations that they are guaranteed under state and federal law.

The Fair Housing Act Amendment of 1988 require that local governments make reasonable accommodations in their rules, policies, practices and service when necessary to afford persons with disabilities equal opportunity for access to housing. The Americans with Disabilities Act establishes other rights with respect to commercial enterprises and other public accommodations.

ENERGY CONSERVATION AND COST REDUCTION

Goal H-5: Reduced Housing Expenses for Energy

POLICY H-25:

Reduce the cost of housing by continuing to promote energy efficiency, resource management, and conservation for new and existing housing.

By owning and operating its own utility system, Palo Alto can offer its residents high quality service at the lowest possible cost. The City has invested in a mix of new energy and water supply projects, provided consumer-oriented conservation and solar services and programs, and promoted operating efficiencies that allow residents to meet their resource needs at a lower cost than in most cities in the region.

PROGRAM H-68:

Continue providing staff support and technical assistance in energy conservation and demand management to architects, developers, and utility customers.

PROGRAM H-69:

Review State programs encouraging energy efficiency and incorporate appropriate programs in Palo Alto's energy conservation programs and outreach efforts.

PROGRAM H-70:

Continue to develop a proactive public outreach program to encourage Palo Alto residents to conserve energy and to share ideas regarding energy conservation.

PROGRAM H-71:

Encourage developers and builders to construct sustainable residential buildings that increase energy efficiency by at least 15% above the energy standards of Title 24.

POLICY H-26:

Reduce the cost of housing using the Utilities Residential Rate Assistance Program (RAP).

PROGRAM H-72:

Continue to assist very low-income households in reducing their utility bills through the RAP.

The Utilities Residential Rate Assistance Program (RAP) was adopted by the City Council in 1993 to provide rate relief to residents who lack adequate financial resources to pay utility bills. Level of income and disability are used to determine if a household qualifies for the program. Qualifying residents currently receive a 20% discount on their utility bills. In May 2001 the City Council expanded the reach of the RAP to allow three times more residents to qualify for the program than were allowed the year before.

Implementation

QUANTIFIED FIVE-YEAR OBJECTIVES

Palo Alto has, or plans to have, sufficient land to accommodate its fair share of the region's housing needs. However, given the significant costs involved with the production of affordable housing, it is not clear that Palo Alto will be able to build all the very low-, low-, and moderate-income housing needed. Such housing cannot be built without substantial subsidies, which are not readily available to Palo Alto due primarily to the limited amount of federal and state subsidies set aside for the production of affordable housing and the extensive competition for these limited funds, such as the HOME Program, which use selection criteria that place communities like Palo Alto at a competitive disadvantage. Although Palo Alto does have a BMR Program, the number of low- and moderate-income units this program is expected to generate will not meet all of the City's affordable housing needs. The City must, therefore, use its limited resources wisely to encourage the production of the maximum number of affordable housing units possible and to preserve as many existing affordable housing units as possible. The following table summarizes the City's quantified objectives for the next five years (2001-2006).

Quantified Affordable Housing Objectives 2001-2006

	Very Low Income	Low Income	Moderate Income	Total
New Construction				
Rental	25	50	50	125
Owner	0	0	60	60
Total	25	50	110	185
Existing Units				
Preservation				
Rental (Terman Apts.)	24	48	20	92
Owner	0	0	0	0
Total	24	48	0	92
Rehabilitation				
Rental	13 beds	0	0	13 beds
Owner	0	0	0	0
Total	13 beds	0	0	13 beds

Over the next five years, Palo Alto intends to produce 125 units of affordable rental housing with the highest priority being the provision of rental housing for families with children as called for in the City's 2000-2005 *Consolidated Plan*. Single Room Occupancy (SRO) and transitional or other permanent rental housing are secondary priorities. Besides families with children, the City intends to assist the homeless and those at-risk of becoming homeless, persons with special needs (especially the mentally ill), and elderly persons. The City will work with non-profit organizations to meet the goals listed above, particularly in the preservation of the Terman Apartments. Only by combining resources with these organizations can the City have a reasonable expectation of achieving these goals.

IMPLEMENTATION SCHEDULE

Palo Alto intends to have all of its new housing programs operational prior to 2004 to ensure that the City have sufficient time to create the necessary housing opportunities and to enable the development community to build the housing units needed to accommodate the City's fair share of the regional housing need within the timeframe of the Housing Element. Programs H-1 through H-5, which deal with residential densities and development standards, will be implemented through the Zoning Ordinance Update currently underway in Palo Alto. Draft ordinance revisions are expected by October 2002.

Programs to encourage more mixed use development, such as H-5 and H-16, will also be considered in the Zoning Ordinance Update.

Other programs that will be implemented through the Zoning Ordinance Update include:

Program H-20 – modify Zoning Ordinance to discourage the use of residential lands for non-residential purposes.

Program H-26 – create development regulations to encourage rehabilitation of historic residential buildings, older multiple family buildings and smaller single-family residences.

Program H-34 through H-38 – modify Zoning Ordinance to increase the number of BMR units required, revised density bonus program, and revised development standards to encourage the production of BMR units.

Program H-52 – identify and remove obstacles to the production of shared housing or other innovative housing types.

Program H-53 through H-55 – develop zoning modifications to allow higher densities and other incentives for 100% senior rental housing. Remove obstacles and provide incentives for special needs housing and housing providing special services.

Program H-56 – allow homeless shelters in more commercial and industrial districts.

Program H-64 – review Zoning Code and pertinent development regulations and revise to ensure compliance with Senate Bill SB520 regarding housing discrimination.

The Housing Opportunities Study described in Programs H-13 and H-14 is an ongoing program to seek new housing opportunities. The Housing Sites Inventory will be updated as new land is identified or as the circumstances or condition of each site on the inventory change. Individual sites identified in the first tier of the Housing Site Inventory should be rezoned for residential or mixed use development before 2004.

Other ongoing programs include:

Program H-17 – use coordinated plans to promote housing over commercial uses.

Program H-21 – determine which affordable housing projects qualify for fee waivers.

Program H-22 – exempt affordable housing projects from any infrastructure impact fees.

Program H-23 – require all City Departments to expedite the processing of affordable housing projects that propose more than the minimum level of BMR units.

Program H-24 – establish an annual housing progress-monitoring program.

Program H-25 – continue citywide property maintenance, inspection and enforcement program.

Programs H-27 and H-28 – continue implementation of Condominium Conversion Ordinance.

Programs H-30 and H-31 – continue community clean up programs.

Program H-33 – provide preferential or priority processing for residential or mixed use projects that provide more than the minimum required BMR housing.

Program H-34 – implementation of the City's Consolidated Plan or successor documents.

Program H-40 – encourage the preservation of the Buena Vista Mobile Home Park.

Programs H-41 through H-43 – continue to support the agencies and organizations that provide shelter and other services to very low- to moderate-income households.

Programs H-44 through H-48 – continue to pursue funding for affordable housing.

Palo Alto Comprehensive Plan Chapter 4: Housing Element

Programs H-58 and H-59 – continue to work with other agencies on the problem of homelessness.

Programs H-60 through H-63 and H-65 – continue to support agencies and programs that seek to eliminate housing discrimination.

Programs H-66 through H-69 – continue to encourage energy conservation in new and existing housing.

Program H-70 – continue to assist very low-income households in reducing their energy bills.

Some programs and policies will require changes to other portions of the Municipal Code or other regulations. These programs and policies should be implemented by 2004 or during the timeframe of this Housing Element. These policies and programs include:

Program H-46 – consider use of 30% of Redevelopment Agency funds for the production of affordable housing.

Programs H-49 and H-50 – revise Chapter 16.47 of the Municipal Code to require housing contributions from employment generating development that reflect their impact on housing demand and cost and that keep pace with housing cost increases.

Program H-57 - create homeless shelter location and development criteria.

The Department of Planning and Community Environment will take the lead in implementing nearly all of the City's housing programs or team up with other City Departments in their implementation with a few exceptions. Programs for which Planning is solely responsible include H-18, H-24, H-25, H-27, H-28, H-32 through H-35, H-40 through H-44, H-47, H-48 and H-49. Planning will coordinate with the City Attorney's Office on Programs H-1 through H-17, H-19, H-20, H-22, H-23 (with the City Manager's Office), H-26, H-29, H-36 through H-40, H-45, H-50 through H-57, H-60, and H-64 (with Community Services). Planning will coordinate with the Community Services Department on Programs H-58, H-61 and H-65. The Planning and Utilities Departments are jointly responsible for Programs H-67 through H-69.

Some housing programs are the sole responsibility of other individual City Departments or combinations of Departments. The City Attorney's Office is responsible for Program H-21 and for Program H-63 in conjunction with the Community Services Department. The Community Services Department is responsible for implementing Programs H-59 and H-62 and jointly responsible for Program H-31 with the Department of Public Works. The City Manager's Office is responsible for Programs H-30 and H-46 and the Utilities Department for Programs H-66 and H-70.

More information on the implementation of these housing programs can be found in the Implementation Appendix of Palo Alto's *1998-2010 Comprehensive Plan*.



115961011

THE AIR COMPACTORY

Programs H-10 and H-11 - continue to work with the agencies in the field of
 Programs H-12 through H-15 - continue to support agencies and the general
 need to eliminate the existing situation.
 Programs H-16 through H-19 - continue to encourage energy conservation in the
 existing housing.
 Program H-20 - continue to assist with the existing housing in the existing
 bills.
 Some programs and projects will continue to be carried out in the existing
 in other countries. These programs and projects will be carried out in the
 during the construction of the Housing Compactory. These programs and projects
 Program H-21 - continue to assist with the existing housing in the existing
 of the existing housing.
 Programs H-22 and H-23 - continue to assist with the existing housing in the
 construction of the existing housing. These programs and projects will be
 housing of the existing housing. These programs and projects will be
 Program H-24 - continue to assist with the existing housing in the existing

The Department of Housing and Community Development is responsible for the
 implementation of the Housing Compactory. The Department is responsible for the
 development of the Housing Compactory. The Department is responsible for the
 is responsible for the development of the Housing Compactory. The Department
 through H-24, H-25, H-26, H-27, H-28, H-29, H-30, H-31, H-32, H-33, H-34,
 Office on Programs H-1 through H-11, H-12 through H-15, H-16 through H-19,
 Office H-20, H-21, H-22, H-23, H-24, H-25, H-26, H-27, H-28, H-29, H-30,
 Community Development, Planning and Research, and the Housing Compactory
 on Programs H-24, H-25, H-26, H-27, H-28, H-29, H-30, H-31, H-32, H-33, H-34,
 responsible for the Housing Compactory.

Some housing programs are being carried out in the existing housing. These
 construction of the existing housing. The Department is responsible for the
 and the Program H-24 is responsible for the development of the Housing
 Community Development, Planning and Research, and the Housing Compactory
 H-24 and H-25 are responsible for the development of the Housing Compactory.
 City Manager's Office is responsible for the development of the Housing
 Department for Programs H-24 and H-25.